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C O N F I D E N T I A L ROME 000384

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STATE FOR EB/ESC/TFS DAVID NELSON; EB/ESC/TFS KATHERINE
LEAHY; EB/ESC/TFS LEANNE CANNON; S/CT PATTY HILL

E.O. 12958: DECL: 2/26/2017

TAGS: [EFIN](#) [ETTTC](#) [KTFN](#) [PREL](#) [PTER](#) [IT](#)

SUBJECT: TERRORIST FINANCE: CASH COURIERS IN ITALY

REF: A. STATE 16120

[1](#)B. 06 ROME 3172

Classified By: Economic Minister Counselor Tom Delare for
reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: GOI officials have demonstrated a commitment to combating bulk cash smuggling by putting into place effective controls to monitor financial activity. However, challenges remain. Limited resources hamper Italian law enforcement's ability to investigate illicit cash courier activity within immigrant communities. Italian law punishes any cash transaction outside regulated financial channels with only a minor fine, not with criminal penalties. That being said, Italy uses its domestic experience to play a leading role the Financial Action Task Force's (FATF) efforts against illicit cash courier activity internationally. The GOI also continues to work well with the U.S. on combating terrorism finance and money laundering. End summary.

[1](#)2. (U) Econoff discussed illicit cash courier activity with representatives from the Ministries of Finance, Justice, and Foreign Affairs February 16 and 20 (ref A). Our contacts stated that the GOI is well aware of the problem, given the large size of Italy's underground economy and years of experience fighting cash smuggling and money laundering domestically. Of note, the GOI hosted and chaired FATF's International Cooperation Review Group this January, using its experiences to assist the international community to better combat bulk cash smuggling.

[1](#)3. (SBU) Italian law requires individuals and institutions to report any monetary (euro- and foreign-denominated) transaction and import into Italy in value of more than 12,500 euro (approximately 16,000 USD) to the Ufficio Italiano dei Cambi (UIC, "Italian Exchange Office"). The UIC then analyzes and forwards any suspicious transaction reports (STRs) to either the GOI Anti-Mafia Investigative Unit or the Guardia di Finanza (GdF) for further investigation (ref B). One loophole to GOI prosecution of illicit cash courier activity is that Italian law considers any cash transaction outside regulated financial channels not as a criminal offense, but, rather, as a regulatory violation subject only to a minor fine. (Comment: Such a loophole makes it difficult for Italian law enforcement to pressure illicit cash couriers to cooperate in investigations into sources of illicit cash and activity. End comment.)

[1](#)4. (C) Econoff spoke in early February with the Director of the GdF's Anti-Money Laundering and Terrorism Finance Unit in Milan. The GdF Director stated that, while the GOI was

confident that UIC controls and those at ports of entry to detect and prevent illicit cash courier activity were sufficiently strong, limited resources made it difficult for the GdF to seek out and investigate cash couriers working inside Italy through hawala and other unregulated cash courier systems. Even with additional staff and resources, the Director stated, it would still be difficult to enter into immigrant communities (e.g., Pakistani, Somali, Chinese) -- where the GdF suspects many illicit cash couriers operate -- given the shortage of linguists within the Italian law enforcement community.

15. (SBU) Comment: The GOI has put into place effective controls, through the UIC, to monitor cash flows through standard financial channels. Italy is playing a leading role in FATF in the international fight against illicit cash courier activity. While challenges remain for the GOI -- notably, the lack of deterrent penalties against illicit cash courier activities -- post notes a sustained commitment to be a close partner with the U.S. on combating bulk cash smuggling, terrorism finance, and money laundering. Unless otherwise instructed, we intend to vigorously raise this legal inadequacy at high levels of the GOI with the aim of securing more deterrence against illicit cash courier activity. End comment.
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